

What is Public Policy?

*...pattern of government decisions
and actions intended to address a
perceived public problem*

Questions:

- Why do we need public policies?
- What is “good” public policy?
 - Implicitly: What is “bad” public policy?

Concepts

- Markets
- Community
- Private Interest
- Public Interest
- Public Policy
- Public Policy Decision-making
- Market failure
- Externalities
- Collective Action
- Politics

Fish Banks Simulation – What did We See?

- Market decision-making
 - Individual action to maximize individual welfare
 - Some “winners” & Some “losers”
 - Willing risk-takers & Unwilling risk-takers
 - Market = \sum individual producer/consumer actions

Fish Banks Simulation – What did We See?

- Market Failure
 - Prices decoupled from supply/demand
 - Market price of fish did not increase as supply decreased
 - Retailers refused to pay higher prices that might choke demand
 - Fishers kept fishing
 - Occupational culture did not allow employment mobility
 - Fishers maintained total catch
 - switched to other locations
 - Fishers switched to other species
 - Better technology
 - → Depleting ocean over time

Other forms of market failures

- Monopolies, cartels
 - Gasoline prices over Labor Day weekend
- Non-production of a good
 - Housing for the poor
 - Telephone service for rural areas
 - Education for all citizens
- Production of an “undesirable” good
 - Prostitution
 - Drugs

Fish Banks Simulation – What did We See?

- Externalities
 - Unplanned/unintended effects of market behavior
 - Not included in (*external to*) the “price” of goods
 - Therefore market does not capture this effect
 - Actions with private benefits → social costs & private costs
 - By-catch of turtles, sharks
- Collective Action Failure
 - No Community (Collective) Decision-making for common good
 - Actions with social benefits → private costs
 - Unwillingness to forsake private benefits or accept private costs for the collective good

Fish Banks Simulation – What did We See?

- Consequences
 - Fish stocks collapsed
 - Fishing industry collapse
 - Personal/fleet bankruptcy
 - Collapse of top levels of Ocean trophic levels
- *Is this a public problem?*
 - *Should the government get involved?*

Government to the Rescue

| | Individual Decisions I can choose, alone & without interference | Collective Decisions Choices are made by the community & are binding on all |
|---|---|--|
| Private Decisions My choice has no consequence for your welfare | <i>Liberty of the Individual:</i> •What socks should I wear? •Religion •Whom should I marry? | <i>Tyranny of the Majority:</i> • Should we have a right to die? Suicide? • • Should we restrict what people can read? |
| Public Decisions My choices affect your welfare | <i>Theft by the Minority:</i> •Own an SUV •Number of children • | <i>Liberty of the Group:</i> • How much should we spend on defense? • Smoking in public places? • What do we do about the homeless? |

Government to the Rescue

- What motivates government?
 - Private interest
 - Public interest
 - Widely shared values & ideas, & interests
 - overcome some elements of self-interest
 - Politics: clash of opposing visions of which shared values, ideas, and collective interests should define policy!
 - Including the appropriate role of government

What is “good” public policy?

- Government decisions and actions that address public problems consistent with widely shared values & ideas
 - How do we decide which issues are to be considered public problems?
 - What are those widely shared values & ideas?
 - Constant over time and space?

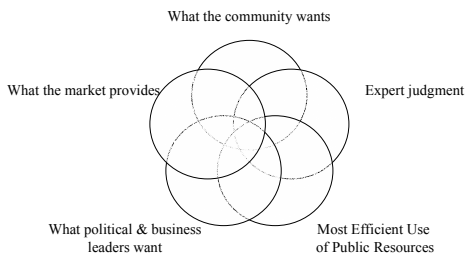
Policy Legitimizing Values

- Security
 - Responding to needs
- Liberty
 - Freedom to choose & act with government interference
 - Freedom from basic needs
- Equity
 - Fairness in burdens & benefits
- Efficiency
 - Economic efficiency
 - Greatest return for a given input
- Democracy
 - Doing what people want

Value Tradeoffs in Public Policy

| | Security | Liberty | Equity | Efficiency | Democracy |
|------------|----------|---------|--------|------------|-----------|
| Security | | | | | |
| Liberty | | | | | |
| Equity | | | | | |
| Efficiency | | | | | |
| Democracy | | | | | |

How do we determine what is in the public interest & what is good public policy?



Public Interest: Market Solution

- Simple Aggregate of Individual Preferences
 - Uncoordinated (non-deliberative) choice
 - \sum individual preferences
 - Is this the same as collective (social) preferences?
- Government should create environment for markets to succeed
- Welfare Economics Model of Public Interest
 - If citizens want cleaner air they will buy low emission vehicles and pay extra for "green" electricity
 - If people are poor, then the government should reduce taxes to allow the market to create better paying jobs
- Advantage: economically efficient
- Assumptions

Public Interest: Pluralist Solution

- Weighted aggregate of interest group intensity x interest group membership
 - Mobilization and organization of political influence
- Government should listen to those with greatest stakes and engagement in a given policy area
- Assumptions
 - All *potential* interests have equal capacity to mobilize & organize
 - All groups have equal access to decisionmakers
 - Group action (leadership) reflects membership

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Public Interest: Administrative Solution

- Government Experts determine community “needs” and proper level of government response
 - Professional/scientific analysis
- Public is “rationally ignorant”
 - Its preferences are uninformed
 - And with good reason
- Assumptions
 - Needs are well-established, objective & definable
 - Experts have relevant knowledge
 - Experts are unbiased

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Public Interest: Elite Solution

- Political & business leaders determine what is in the public interest and government acts accordingly.
- Public rational ignorance
- Assumptions
 - Elites are benevolent & unbiased
 - Public interest > private interest
 - Elites have relevant knowledge

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Public Interest: Civic Solution

- Government fosters informed Public deliberation on issues and implements consensus view
- Community knows what is good for it
 - Universally subscribed collective choices, or
 - Majoritarian subscribed collective choices
- Assumptions
 - public is informed (not ignorant)
 - Community membership is well defined & agreed
 - Who was in the fishbanks “community?”
 - Consensus is possible

Institutional Context of American Public Policy

- Madisonian institutions
 - Fragmented power and authority
 - Designed to stop “bad” policy
 - Liberty
 - Frustrates rapid adoption of “good” policy
 - Requires broad consensus on what is good
- Administrative state
 - Unforeseen by Federalists
 - Policy by experts
